

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Orient-Macksburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Ron Lauer	President	2008
Evonne Lents	Vice President	2006
Dave Collings	Board Member	2006
Brian Britten	Board Member	2007
Ellen Pool	Board Member	2008
Board of Education (After September 2006 Election)		
Ron Lauer	President	2008
Brian Britten	Vice President	2007
Ellen Pool	Board Member	2008
Robin Sevier	Board Member	2009
Brian Rohrig	Board Member	2009
School Officials		
Jerry Waugh	Superintendent	2007
Sharon Cox	District Secretary/Treasurer and Business Manager	2007
Gruhn Law Office	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Orient-Macksburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Orient-Macksburg Community School District, Orient Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orient-Macksburg Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

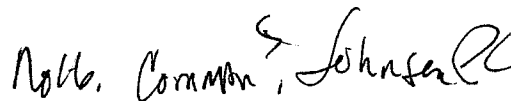
In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2008 on our consideration of the Orient-Macksburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orient-Macksburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Orient-Macksburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,545,151 in fiscal 2006 to \$2,593,393 in fiscal 2007, while General Fund expenditures increased from \$2,662,466 in fiscal 2006 to \$2,698,590 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$297,791 in fiscal 2006 to a balance of \$183,559 in fiscal 2007, a 38.4% decrease from the prior year.
- The increase in General Fund revenues was attributable to a increase in local, state, and federal source revenues in fiscal 2007. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Orient-Macksburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Orient-Macksburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Orient-Macksburg Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

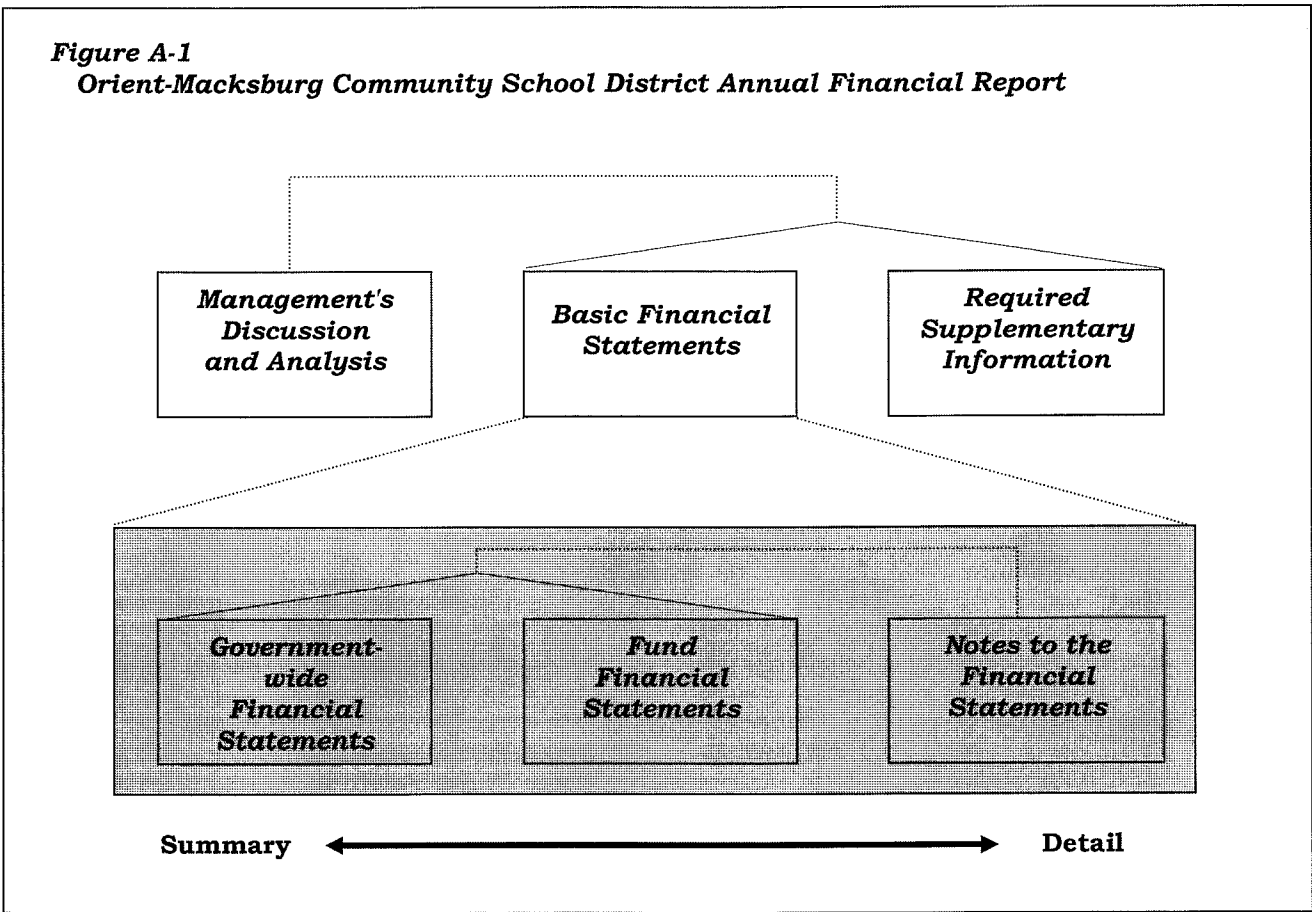


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition and Day Care Funds.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 2,476,247	2,278,384	19,063	18,141	2,495,310	2,296,525	8.66%
Capital assets	1,325,509	1,288,345	12,267	15,143	1,337,776	1,303,488	2.63%
Total assets	3,801,756	3,566,729	31,330	33,284	3,833,086	3,600,013	6.47%
Long-term obligations	510,000	558,840	0	0	510,000	558,840	-8.74%
Other liabilities	1,689,940	1,507,259	28,294	32,079	1,718,234	1,539,338	11.62%
Total liabilities	2,199,940	2,066,099	28,294	32,079	2,228,234	2,098,178	6.20%
Net assets:							
Invested in capital assets, net of related debt	815,509	769,571	12,267	15,143	827,776	784,714	5.49%
Restricted	529,896	360,684	0	0	529,896	360,684	46.91%
Unrestricted	256,411	370,375	(9,231)	(13,938)	247,180	356,437	-30.65%
Total net assets	\$ 1,601,816	1,500,630	3,036	1,205	1,604,852	1,501,835	6.86%

The District's combined net assets increased by 6.86%, or \$103,017, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 46.91% or \$169,212 over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately 30.65% or \$109,257.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 364,712	319,941	102,296	104,437	467,008	424,378	10.05%
Operating grants and contributions and restricted interest	474,550	380,769	50,355	54,439	524,905	435,208	20.61%
Capital grants and contributions and restricted interest	25,000	0	0	0	25,000	0	100.00%
General revenues:							
Property tax	1,272,077	1,301,472	0	0	1,272,077	1,301,472	-2.26%
Local option sales and service tax	152,242	139,634	0	0	152,242	139,634	0.00%
Unrestricted state grants	805,420	870,563	0	0	805,420	870,563	-7.48%
Other	37,128	55,394	241	97	37,369	55,491	-32.66%
Total revenues	3,131,129	3,067,773	152,892	158,973	3,284,021	3,226,746	1.78%
Program expenses:							
Governmental activities:							
Instructional	2,043,987	1,964,742	0	0	2,043,987	1,964,742	4.03%
Support services	692,080	919,536	0	0	692,080	919,536	-24.74%
Non-instructional programs	2,579	1,953	151,061	184,180	153,640	186,133	-17.46%
Other expenses	291,297	232,392	0	0	291,297	232,392	25.35%
Total expenses	3,029,943	3,118,623	151,061	184,180	3,181,004	3,302,803	-3.69%
Change in net assets	101,186	(50,850)	1,831	(25,207)	103,017	(76,057)	-235.45%
Net assets beginning of year	1,500,630	1,551,480	1,205	26,412	1,501,835	1,577,892	-4.82%
Net assets end of year	\$ 1,601,816	1,500,630	3,036	1,205	1,604,852	1,501,835	6.86%

In fiscal 2007, property tax and unrestricted state grants account for 66.3% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$3.28 million of which \$3.13 million was for governmental activities and \$.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.78% in revenues and a 3.69% decrease in expenses. The increase in expenses was related to an increase in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,131,129 and expenses were \$3,029,943.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 2,043,987	1,964,742	4.03%	1,291,173	1,349,315	-4.31%
Support services	692,080	919,536	-24.74%	692,080	919,536	-24.74%
Non-instructional	2,579	1,953	32.05%	2,579	1,953	32.05%
Other expenses	291,297	232,392	25.35%	179,849	147,109	22.26%
Totals	<u>\$ 3,029,943</u>	<u>3,118,623</u>	<u>-2.84%</u>	<u>2,165,681</u>	<u>2,417,913</u>	<u>-10.43%</u>

- The cost financed by users of the District's programs was \$364,712.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$499,550.
- The net cost of governmental activities was financed with \$1,272,077 in property tax, \$152,242 in local option sales and service tax, \$805,420 in unrestricted state grants, \$33,420 in interest income, and \$3,708 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$152,892 and expenses were \$151,061. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Orient-Macksburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$677,421, compared to last year's ending fund balances of \$672,814.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increased local, state, and federal source revenues allowed the governmental funds to continue to improve.
- The Management Levy fund balance increased from \$132,247 in 2006, to \$178,322 in 2007, due to decreased support services expenditures.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$40,328 to \$12,018, due to an increase in facility acquisition expenditures.
- The Capital Projects fund balance increased from \$129,807 to \$230,503, due to receiving \$25,000 in federal grants and no expenditures in instruction and support services functions.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from \$12,414 at June 30, 2006 to \$3,721 at June 30, 2007, representing a decrease of 70%.
- The Day Care Fund net assets increased from a deficit fund balance of \$11,209 at June 30, 2006 to deficit fund balance of \$685 at June 30, 2007, representing an increase of 94%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$202,850 less than budgeted revenues, a variance of 5.8%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1.34 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents an increase of 2.56% compared to the previous year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$105,723.

The original cost of the District's capital assets was \$3,180,418. Governmental funds account for \$3,132,180 with the remainder of \$48,238 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$156,196 at June 30, 2006 compared to \$211,589 reported at June 30, 2007. This increase resulted from the purchase of computers and other instructional equipment.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 31,728	31,728	0	0	31,728	31,728	0.00%
Buildings	970,338	980,800	0	0	970,338	980,800	-1.08%
Improvements other than buildings	124,121	134,764	0	0	124,121	134,764	-8.57%
Machinery and equipment	199,322	141,053	12,267	15,143	211,589	156,196	26.18%
Total	\$ 1,325,509	1,288,345	12,267	15,143	1,337,776	1,303,488	2.56%

Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$510,000 in general obligation bonds. This represents a decrease of approximately 8.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$510,000 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 510,000	550,000	-7.3%
Vehicle loan	0	8,840	-100.0%
Totals	\$ 510,000	558,840	-8.7%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The budget guarantee, (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period, which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Darling, District Board Secretary, Orient-Macksburg Community School District, P.O. Box 129, Orient, Iowa, 50858.

BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 878,756	8,536	887,292
Receivables:			
Property tax:			
Delinquent	23,561	0	23,561
Succeeding year	1,351,165	0	1,351,165
Income surtax	113,656	0	113,656
Interfund	20,467	0	20,467
Accounts	16,894	6,460	23,354
Due from other governments	71,748	0	71,748
Inventories	0	4,067	4,067
Capital assets, net of accumulated depreciation(Note 5)	1,325,509	12,267	1,337,776
Total Assets	3,801,756	31,330	3,833,086
Liabilities			
Interfund payable	0	20,467	20,467
Accounts payable	59,053	0	59,053
Interest payable	4,770	0	4,770
Salaries and benefits payable	237,208	6,576	243,784
Deferred revenue:			
Succeeding year property tax	1,351,165	0	1,351,165
Other	37,744	0	37,744
Unearned revenue	0	1,251	1,251
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds	40,000	0	40,000
Portion due after one year:			
General obligation bonds	470,000	0	470,000
Total Liabilities	2,199,940	28,294	2,228,234
Net Assets			
Invested in capital assets, net of related debt	815,509	12,267	827,776
Restricted for:			
Early intervention	27,364	0	27,364
Market factor	8,670	0	8,670
Physical plant and equipment levy	12,018	0	12,018
Management levy	178,322	0	178,322
Capital projects	230,503	0	230,503
Debt service	44,897	0	44,897
Other special revenue purposes	28,122	0	28,122
Unrestricted	256,411	(9,231)	247,180
Total Net Assets	\$ 1,601,816	3,036	1,604,852

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,165,135	325,336	375,118	0	(464,681)	0
Special instruction	321,654	39,376	12,984	0	(269,294)	0
Other instruction	557,198	0	0	0	(557,198)	0
	2,043,987	364,712	388,102	0	(1,291,173)	0
Support services:						
Student services	23,125	0	0	0	(23,125)	0
Instructional staff services	58,706	0	0	0	(58,706)	0
Administration services	365,187	0	0	0	(365,187)	0
Operation and maintenance of plant services	172,213	0	0	0	(172,213)	0
Transportation services	72,849	0	0	0	(72,849)	0
	692,080	0	0	0	(692,080)	0
Non-instructional programs	2,579	0	0	0	(2,579)	0
Other expenditures:						
Facilities acquisitions	128,451	0	0	25,000	(103,451)	0
Long-term debt interest	30,560	0	0	0	(30,560)	0
AEA flowthrough	86,448	0	86,448	0	0	0
Depreciation(unallocated)*	45,838	0	0	0	(45,838)	0
	291,297	0	86,448	25,000	(179,849)	0
Total governmental activities	3,029,943	364,712	474,550	25,000	(2,165,681)	0
Business-Type activities:						
Non-instructional programs:						
Nutrition services	119,510	60,400	50,355	0	0	(8,755)
Daycare services	31,551	41,896	0	0	0	10,345
Total business-type activities	151,061	102,296	50,355	0	0	1,590
Total	\$ 3,181,004	467,008	524,905	25,000	(2,165,681)	1,590
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,131,697	0	1,131,697
Debt service				45,794	0	45,794
Capital outlay				94,586	0	94,586
Local option sales and services				152,242	0	152,242
Unrestricted state grants				805,420	0	805,420
Unrestricted investment earnings				33,420	241	33,661
Other				3,708	0	3,708
Total general revenues				2,266,867	241	2,267,108
Change in net assets				101,186	1,831	103,017
Net assets beginning of year				1,500,630	1,205	1,501,835
Net assets end of year				\$ 1,601,816	3,036	1,604,852

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Manage- ment Levy	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets						
Cash and pooled investments	\$ 376,817	176,762	62,756	191,316	71,105	878,756
Receivables:						
Property tax						
Delinquent	19,746	1,560	1,303	0	952	23,561
Succeeding year	1,149,069	70,000	63,476	0	68,620	1,351,165
Income surtax	85,242	0	28,414	0	0	113,656
Interfund	20,467	0	0	0	0	20,467
Accounts	15,932	0	0	0	962	16,894
Due from other governments	31,986	0	0	39,762	0	71,748
Total Assets	\$ 1,699,259	248,322	155,949	231,078	141,639	2,476,247
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 6,437	0	52,041	575	0	59,053
Salaries and benefits payable	237,208	0	0	0	0	237,208
Deferred revenue:						
Succeeding year property tax	1,149,069	70,000	63,476	0	68,620	1,351,165
Income surtax	85,242	0	28,414	0	0	113,656
Other	37,744	0	0	0	0	37,744
Total liabilities	1,515,700	70,000	143,931	575	68,620	1,798,826
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	44,897	44,897
Professional development	281	0	0	0	0	281
Market factor	2,228	0	0	0	0	2,228
Early intervention	27,364	0	0	0	0	27,364
Talented and gifted	8,670	0	0	0	0	8,670
Unreserved	145,016	178,322	12,018	230,503	28,122	593,981
Total fund balances	183,559	178,322	12,018	230,503	73,019	677,421
Total Liabilities and Fund Balances	\$ 1,699,259	248,322	155,949	231,078	141,639	2,476,247

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 677,421
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,325,509
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,770)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	113,656
Long-term liabilities, including bonds payable and are not due and payable in the current period and, therefor, are not reported as liabilities in the governmental funds.	<u>(510,000)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 1,601,816</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Manage- ment Levy	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,046,347	75,125	94,586	152,242	45,794	1,414,094
Tuition	242,996	0	0	0	0	242,996
Other	49,166	9,777	1,903	6,038	116,956	183,840
State sources	1,080,083	35	32	0	23	1,080,173
Federal sources	174,801	0	25,000	0	0	199,801
Total revenues	2,593,393	84,937	121,521	158,280	162,773	3,120,904
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	1,165,425	17,665	16,970	0	0	1,200,060
Special instruction	321,654	0	0	0	0	321,654
Other instruction	423,706	0	0	0	122,951	546,657
	1,910,785	17,665	16,970	0	122,951	2,068,371
Support services:						
Student services	23,125	0	0	0	0	23,125
Instructional staff services	64,995	994	5,340	0	0	71,329
Administration services	360,938	1,588	0	0	650	363,176
Operation and maintenance of plant services	165,702	6,311	0	0	0	172,013
Transportation services	86,597	9,725	0	0	0	96,322
	701,357	18,618	5,340	0	650	725,965
Non-instructional programs:						
Food service operations	0	2,579	0	0	0	2,579
Other expenditures:						
Facilities acquisitions	0	0	127,521	25,663	0	153,184
Long-term debt:						
Principal	0	0	0	0	48,840	48,840
Interest	0	0	0	0	30,910	30,910
AEA flowthrough	86,448	0	0	0	0	86,448
	86,448	0	127,521	25,663	79,750	319,382
Total expenditures	2,698,590	38,862	149,831	25,663	203,351	3,116,297
Excess(deficiency) of revenues over(under) expenditures	(105,197)	46,075	(28,310)	132,617	(40,578)	4,607
Other financing sources(uses):						
Transfers in	0	0	0	31,921	40,956	72,877
Transfers out	(9,035)	0	0	(63,842)	0	(72,877)
Total other financing sources(uses)	(9,035)	0	0	(31,921)	40,956	0
Net change in fund balances	(114,232)	46,075	(28,310)	100,696	378	4,607
Fund balance beginning of year	297,791	132,247	40,328	129,807	72,641	672,814
Fund balance end of year	\$ 183,559	178,322	12,018	230,503	73,019	677,421

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 4,607

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 140,011	
Depreciation expense	<u>(102,847)</u>	37,164

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 48,840

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 350

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 10,225

Changes in net assets of governmental activities (page 14) \$ 101,186

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	School Nutrition	Day Care	Total
Assets			
Cash and cash equivalents	\$ 9,100	(564)	8,536
Accounts receivable	5	6,455	6,460
Inventories	4,067	0	4,067
Capital assets, net of accumulated depreciation (Note 6)	12,267	0	12,267
Total Assets	25,439	5,891	31,330
Liabilities			
Interfund payable	20,467	0	20,467
Salary and benefits payable	0	6,576	6,576
Unearned revenues	1,251	0	1,251
Total Liabilities	21,718	6,576	28,294
Net Assets			
Invested in capital assets	12,267	0	12,267
Unrestricted	(8,546)	(685)	(9,231)
Total Net Assets	\$ 3,721	(685)	3,036

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 60,400	41,896	102,296
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	48,952	25,151	74,103
Benefits	6,544	2,828	9,372
Services	4,427	1,823	6,250
Supplies	56,711	1,749	58,460
Depreciation	2,876	0	2,876
Total operating expenses	119,510	31,551	151,061
Operating income(loss)	(59,110)	10,345	(48,765)
Non-operating revenues:			
State sources	1,714	0	1,714
Federal sources	48,641	0	48,641
Interest income	62	179	241
Total non-operating revenues	50,417	179	50,596
Changes in net assets	(8,693)	10,524	1,831
Net assets beginning of year	12,414	(11,209)	1,205
Net assets end of year	\$ 3,721	(685)	3,036

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 60,731	(1,076)	59,655
Cash received from miscellaneous operating activities	437	41,896	42,333
Cash payments to employees for services	(55,496)	(25,227)	(80,723)
Cash payments to suppliers for goods or services	(49,881)	(15,572)	(65,453)
Net cash provided by(used in) operating activities	(44,209)	21	(44,188)
Cash flows from non-capital financing activities:			
State grants received	1,714	0	1,714
Federal grants received	41,472	0	41,472
Net cash provided by non-capital financing activities	43,186	0	43,186
Cash flows from investing and other financing activities:			
Interest on investments	62	179	241
Net increase(decrease) in cash and cash equivalents	(961)	200	(761)
Cash and cash equivalents at beginning of year	10,061	(764)	9,297
Cash and cash equivalents at end of year	\$ 9,100	(564)	8,536
Reconciliation of operating loss(income) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (59,110)	10,345	(48,765)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:			
Commodities consumed	7,169	0	7,169
Depreciation	2,876	0	2,876
Increase in inventories	(609)	0	(609)
(Increase)Decrease in accounts receivable	833	(1,076)	(243)
Increase(Decrease) in accounts payable	4,697	(12,000)	(7,303)
Increase in salary and benefits payable	0	2,752	2,752
Decrease in unearned revenue	(65)	0	(65)
Net cash provided by(used in) operating activities	\$ (44,209)	21	(44,188)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 9,100	(564)	8,536

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$7,169.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The Orient-Macksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Orient and Macksburg, Iowa, and the predominate agricultural territory in Adams, Adair, Madison and Union Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Orient-Macksburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Orient-Macksburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams, Adair, Madison and Union County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue - Management Levy Fund is utilized to account for the payment of property insurance.

The Special Revenue - Physical Plant and Equipment Levy(PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Day Care Fund. The School Nutrition Fund is used to account for the food service

operations of the District. The Day Care Fund is used to account for the day care service provided by the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget by \$110,549.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 808,308</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:		
General	School Nutrition	<u>\$ 20,467</u>

The Nutrition Fund is repaying the General Fund for salaries and benefits that the General Fund paid at the end of the year. The balance will be repaid by June 30, 2008.

(4) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 9,035
Debt Service	Capital Projects	31,921
Total		<u>\$ 40,956</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,728	0	0	31,728
Total capital assets not being depreciated	31,728	0	0	31,728
Capital assets being depreciated:				
Buildings	1,885,000	24,733	0	1,909,733
Land improvements	255,515	0	0	255,515
Machinery and equipment	824,123	115,278	4,197	935,204
Total capital assets being depreciated	2,964,638	140,011	4,197	3,100,452
Less accumulated depreciation for:				
Buildings	904,200	35,195	0	939,395
Land improvements	120,751	10,643	0	131,394
Machinery and equipment	683,070	57,009	4,197	735,882
Total accumulated depreciation	1,708,021	102,847	4,197	1,806,671
Total capital assets being depreciated, net	1,256,617	37,164	0	1,293,781
Governmental activities capital assets, net	\$ 1,288,345	37,164	0	1,325,509
Business-type activities:				
Machinery and equipment	\$ 48,238	0	0	48,238
Less accumulated depreciation	33,095	2,876	0	35,971
Business-type activities capital assets, net	\$ 15,143	(2,876)	0	12,267

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 4,872
Other	14,041
Support services:	
Instructional staff services	3,156
Administration services	2,011
Operation and maintenance of plant services	200
Transportation	32,729
	57,009
Unallocated depreciation	45,838
Total governmental activities depreciation expense	\$ 102,847
Business-type activities:	
Food services	\$ 2,876

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 550,000	0	40,000	510,000	40,000
Vehicle loan	8,840	0	8,840	0	0
Total	\$ 558,840	0	48,840	510,000	40,000

General Obligation

Details of the District's June 30, 2007 General Obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate		Bond issue May 27, 1997		
			Principal	Interest	Total
2008	5.30	% \$	40,000	28,620	68,620
2009	5.40		40,000	26,500	66,500
2010	5.50		45,000	24,340	69,340
2011	5.55		45,000	21,865	66,865
2012	5.60		50,000	19,367	69,367
2013	5.65		50,000	16,567	66,567
2014	5.70		55,000	13,743	68,743
2015	5.70		60,000	10,607	70,607
2016	5.75		60,000	7,188	67,188
2017	5.75		65,000	3,738	68,738
Total			\$ 510,000	172,535	682,535

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$91,140, \$91,262, and \$91,671 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides the District dental coverage and protection.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$1,320.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Orient-Macksburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$86,448 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. Expenditures in the other expenditures function exceeded the amounts budgeted.

(11) Deficit Fund Balance

The District has a deficit unrestricted fund balances in the Enterprise, School Nutrition and the Enterprise, Day Care Fund of \$8,546 and \$685, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,840,930	102,537	1,943,467	2,105,015	2,105,015	(161,548)
State sources	1,080,173	1,714	1,081,887	1,194,631	1,194,631	(112,744)
Federal sources	199,801	48,641	248,442	177,000	177,000	71,442
Total revenues	3,120,904	152,892	3,273,796	3,476,646	3,476,646	(202,850)
Expenditures:						
Instruction	2,068,371	0	2,068,371	2,174,516	2,174,516	106,145
Support services	725,965	0	725,965	1,017,700	1,017,700	291,735
Non-instructional programs	2,579	151,061	153,640	213,562	213,562	59,922
Other expenditures	319,382	0	319,382	290,961	290,961	(28,421)
Total expenditures	3,116,297	151,061	3,267,358	3,696,739	3,696,739	429,381
Excess(deficiency) of revenues over(under) expenditures	4,607	1,831	6,438	(220,093)	(220,093)	226,531
Balance beginning of year	672,814	1,205	674,019	645,806	645,806	28,213
Balance end of year	\$ 677,421	3,036	680,457	425,713	425,713	254,744

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides district expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the other function exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Student Activity	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and pooled investments	\$ 27,160	43,945	71,105
Receivables:			
Property tax:			
Current year delinquent	0	952	952
Succeeding year	0	68,620	68,620
Accounts	962	0	962
Total Assets	\$ 28,122	113,517	141,639
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	0	68,620	68,620
Total Liabilities	0	68,620	68,620
Fund balances:			
Reserved for:			
Debt service	0	44,897	44,897
Unreserved	28,122	0	28,122
Total fund balances	28,122	44,897	73,019
Total Liabilities and Fund Balances	\$ 28,122	113,517	141,639

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Student Activity	Debt Service	Total Nonmajor Governmental Funds
REVENUES:			
Local sources:			
Local tax	\$ 0	45,794	45,794
Other	114,778	2,178	116,956
State sources	0	23	23
TOTAL REVENUES	114,778	47,995	162,773
EXPENDITURES:			
Current:			
Instruction:			
Other instruction	122,951	0	122,951
	122,951	0	122,951
Support services:			
Administration services	0	650	650
	0	650	650
Other expenditures:			
Long-term debt:			
Principal	0	48,840	48,840
Interest	0	30,910	30,910
	0	79,750	79,750
TOTAL EXPENDITURES	122,951	80,400	203,351
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(8,173)	(32,405)	(40,578)
Other financing sources:			
Transfers in	0	40,956	40,956
Net change in fund balances	(8,173)	8,551	378
Fund balances beginning of year	36,295	36,346	72,641
Fund balances end of year	\$ 28,122	44,897	73,019

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 1,562	8,071	7,424	2,209
Athletics	4,030	29,809	29,707	4,132
Band student club	(63)	94	174	(143)
Bank interest	23	550	740	(167)
Lights BB field	2,002	115	0	2,117
HS reading club	200	3	200	3
Cheerleaders	330	750	817	263
Drill team	1,275	1,751	1,440	1,586
Class of 06	1,941	32	1,297	676
Class of 07	7,240	937	7,947	230
Class of 08	74	23,852	17,169	6,757
Class of 09	0	44	801	(757)
FFA	1,844	29,897	30,165	1,576
Ind tech club	31	7	30	8
MS reading club	1,296	3,760	4,227	829
Musical	4,116	4,752	7,221	1,647
NHS	92	326	495	(77)
Plays	1,714	160	1,053	821
Secondary Pepsi	1,080	1,334	1,090	1,324
Student council	556	2,301	3,139	(282)
Teen leadership	196	0	196	0
Carnival	137	0	137	0
Foods club	12	408	390	30
Elem reading club	6,471	5,824	6,977	5,318
Dance club	136	1	115	22
Total	\$ 36,295	114,778	122,951	28,122

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,414,094	1,441,106	1,667,689	1,450,519
Tuition	242,996	184,113	357,180	301,638
Other	183,840	191,373	145,093	157,826
State sources	1,080,173	1,119,141	1,161,841	1,082,862
Federal sources	199,801	132,040	134,419	114,604
Total	<u>\$ 3,120,904</u>	<u>3,067,773</u>	<u>3,466,222</u>	<u>3,107,449</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,200,060	1,004,980	1,073,567	1,165,472
Special instruction	321,654	342,002	322,037	488,633
Other instruction	546,657	585,287	527,096	376,388
Support services:				
Student services	23,125	20,274	36,621	27,840
Instructional staff services	71,329	97,808	28,307	36,089
Administration services	363,176	396,561	404,494	381,141
Operation and maintenance of plant services	185,764	201,614	261,624	203,028
Transportation services	96,322	199,603	110,230	97,651
Other support services	0	0	8,078	27,738
Non-instructional programs:				
Food service operations	2,579	1,953	2,692	1,724
Other expenditures:				
Facilities acquisitions	153,185	69,291	56,733	20,136
Long Term debt:				
Principal	48,840	43,496	43,164	39,837
Interest	30,910	32,779	35,214	36,230
AEA flow-through	86,448	85,283	86,123	86,409
Total	<u>\$ 3,130,049</u>	<u>3,080,931</u>	<u>2,995,980</u>	<u>2,988,316</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Orient-Macksburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Orient-Macksburg Community School District of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 18, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Orient-Macksburg Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Orient-Macksburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Orient-Macksburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Orient-Macksburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Orient-Macksburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Orient-Macksburg Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Orient-Macksburg Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

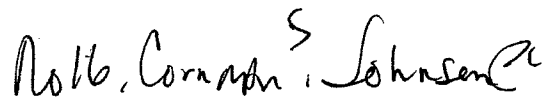
As part of obtaining reasonable assurance about whether Orient-Macksburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Orient-Macksburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Orient-Macksburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Orient-Macksburg Community School District and other parties to whom Orient-Macksburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Orient-Macksburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2008

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and search for possible alternatives.

Conclusion - Response accepted.

- I-B-07 Check Signatures - We noted during our audit, instances of one signature on the District's checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - We are reviewing the procedures to ensure that the proper signatures are on all checks

Conclusion - Response accepted.

- I-C-07 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). More specifically, there was a server purchased from the Class of 2006 account and field trips and instructional supplies purchased from the Elementary Reading Club. Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Donations from Target were recorded in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

Response - We are reviewing donations received to ensure they are deposited into the proper fund.

Conclusion - Response accepted.

- I-D-07 Payroll Procedures - We noted during the audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - We will begin keeping hours for non-certified coaches.

Conclusion - Response accepted.

- I-E-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We will review this requirement with the bank and request an image of both the front and back of each cancelled check.

Conclusion - Response accepted.

- I-F-07 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage. The policy identifies the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements. The policy should be followed.

Response - We are reviewing procedures to ensure the proper detailed documentation is available with paid credit card statements.

Conclusion - Response accepted.

I-G-07 Title I Grant - When the final report for Title I was filed, the general ledger was not used to determine expenses. This resulted in over claiming expenses of \$11,802.

Recommendation - The District should amend the final report submitted and repay the overage. The District may apply for carryover allocation in fiscal 2008. In the future, the District should use the general ledger when completing final reports.

Response - We have amended the final report and submitted repayment for the overage.

Conclusion - Response accepted.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, exceeded the amounts budgeted in the other expenditures function. The District also exceeded its unspent authorized budget for the year ended June 30, 2007 by \$110,549.

Recommendation -The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Response - We are meeting with the School Budget Review Committee on March 10, 2008.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-07 Financial Condition - During our audit we noted that the District had deficit unrestricted fund balances in the Enterprise, School Nutrition Fund of \$8,546 and in the Enterprise, Day Care Fund of \$685.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We are monitoring funds and investing alternatives to eliminate the deficit.

Conclusion - Response accepted.